

Message Text

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ACTION EA-14

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FM AMEMBASSY PHNOM PENH

TO SECSTATE WASHDC 0614

C O N F I D E N T I A L PHNOM PENH 2658

FOR STATE/ AID

REF: PHNOM PENH 2334

1. SINCE THE DESPATCH OF REFTEL THERE HAVE BEEN FURTHER DISCUSSIONS CONCERNING THE CABINET DECISION TO PROHIBIT THE IMPORTATION OF LUXURY GOODS. EARLY IN THE WEEK, EVERS TALKED WITH ITH THRY AND WEDEMAN WAS CALLED IN BY THE MINISTER TO DISUCSS THE PROBLEM SHORTLY THEREAFTER.

2. THE GKR OBVIOUSLY FEELS VERY MUCH CAUGHT BETWEEN THE COUNSEL OF THE USG AND OF THE IMF. IN THE CONVERSATION WITH ITH THUY, WEDEMAN SAID HE THOROUGHLY UNDERSTOOD THE POSITION OF THE MF AND RECOGNIZED THAT THE IMF WAS THE PRINCIPAL FINANCIAL AND ECONOMIC ADVISOR TO THE GKR. AS SUCH, EVERS RIGHTLY DID NOT ADVISE WITH RESPECT TO POLITICAL AND SOCIAL CONSEQUENCES OF ECONOMIC POLICIES THE GOVERNMENT MIGHT ADOPT. WEDEMAN REAFFIRMED OUR POSITION THAT THE RIGHT POLITICAL APPROACH IS TO BAN THE IMPORTATION OF A LIMITED NUMBER OF LUXURY GOODS, INCLUDING PASSENGER CARS, BUT CAUTIONED AGAINST THAT THIS WAS A DECISION FOR THE GKR TO MAKE.

3. ITH THUY CLEARLY WANTS TO KNOW HOW SERIOUSLY THE IMF FEELS ABOUT THIS ISSUE. IF THE IMF SHOULD REGARD THE MATTER AS BEING CRITICAL TO ITS CONTINUED PRESENCE IN THE KHMER REPUBLIC, THE GKR MAY WELL BACK AWAY FROM THE DECISION TAKEN BY THE CABINET. ON THE OTHER HAND, IF THE IMF COULD LET IT BE KNOWN THAT IT IS OPPOSED TO THE DECISION BUT NEVERTHELESS WILL CONTINUE TO WORK ACTIVELY WITH THE GOVERNMENT ON ECONOMIC AND FINANCIAL

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MATTERS, THIS WOULD BE EXTREMELY HELPFUL.

4. THEREFORE, YOU MAY WISH TO RESUME THE DIALOGUE WITH THE IMF. ON THE PHNOM PENH END, WE HAVE KEPT EVERS FULLY ADVISED ON OUR DISCUSSIONS WITH ITH THRY ALTHOUGH WE HAVE NOT INDICATED TO HIM THAT THE MINISTER IS LOOKING FOR A WAY TO SECURE AT LEAST THE ACQUIESCENCE OF THE IMF TO THE DECISION. SWANK

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